# Undertakings Provided as Part of PacifiCare of California Notice of Material Modification Regarding Proposed Change in Control of Ultimate Parent Company

PacifiCare of California (PCC) filed with the Department of Managed Health Care (Department) a Notice of Material Modification No. 20054641 (the Material Modification) regarding the proposed acquisition of PacifiCare Health Systems, Inc. (PHS) and its affiliates (the Merger) by UnitedHealth Group Incorporated (UnitedHealth).

PCC is a wholly owned subsidiary of PacifiCare Health Plan Administrators, Inc. (PHPA), which in turn is a wholly owned subsidiary of PHS. By filing this Material Modification, PCC seeks the approval of the Department for the merger of PHS with and into Point Acquisition, LLC (Acquisition LLC), a newly formed Delaware limited liability company that is wholly owned by UnitedHealth.

Upon the closing of the Merger, PHS will be merged with and into Acquisition LLC, with Acquisition LLC as the surviving entity, and the separate corporate existence of PHS will cease, effective as of the closing of the Merger. Acquisition LLC, which will succeed to the rights and obligations of PHS, will own all of the outstanding voting securities of PHPA, which in turn owns all of the outstanding voting securities of PCC, which will become an indirect, wholly owned subsidiary of UnitedHealth. Alternatively, under certain circumstances set forth in the Agreement and Plan of Merger, dated July 6, 2005 (Merger Agreement), at UnitedHealth's option, the transactions contemplated by the Merger Agreement shall be effected by merging a direct wholly owned corporate subsidiary of UnitedHealth with and into PHS, with PHS being the surviving entity. This transaction will result in a change in control of PCC, which will become an indirect subsidiary of UnitedHealth. The transaction will not result in any other material changes to PCC, or have a material effect on PCC's operations.

To demonstrate continued compliance with the Knox-Keene Health Care Service Plan Act of 1975, California Health and Safety Code section 1340 *et seq.* (the Act) and the Act's corresponding regulations, at title 28, California Code of Regulations (Rules) following the close of the Merger, PCC executes and files these undertakings as a part of its Material Modification. PHS, UnitedHealth and Acquisition LLC each also has executed these undertakings. By so doing, PHS, UnitedHealth, and Acquisition LLC (or its successor) each agrees to not require, cause, or permit PCC to violate any of these undertakings.

PCC, PHS, UnitedHealth and Acquisition LLC agree to the following undertakings and acknowledge that any Order issued by the Director of the Department of Managed Health Care (Director) approving the Material Modification is conditioned upon the undertakings set forth below.

**Undertaking 1.** PCC and UnitedHealth represent and promise the following:

(a) All of the executive compensation by reason of the Merger, including change in control payments, acceleration of outstanding equity incentives, UnitedHealth equity incentive grants, and UnitedHealth signing/retention bonuses (together, CIC Benefit) will be the sole responsibility of UnitedHealth;

(b) UnitedHealth will have on hand cash and committed borrowing facilities at the time of the closing of the Merger that are adequate to timely discharge all obligations relating to the CIC Benefit;

(c) UnitedHealth will have on hand cash and committed borrowing facilities at the time of the closing of the Merger that are adequate to timely discharge the long-term indebtedness for borrowed money of PCC's parent companies. Such long-term indebtedness for PHS was $1,053,560,000 as of September 30, 2005;

(d) No amounts relating, directly or indirectly, to the CIC Benefit will be the obligation of PCC;

(e) No amounts relating, directly or indirectly, to the CIC Benefit will be charged to or made the responsibility of PCC, directly or indirectly, under any reimbursement or cost allocation arrangement;

(f) UnitedHealth further represents and warrants that there are no CIC Benefit payments owed by UnitedHealth by reason of the Merger to any of UnitedHealth's officers, directors, or key management.

**Undertaking 2.** PCC will not declare or pay dividends, make other distributions of cash or property, or in any other way upstream any funds or property to UnitedHealth or any of its affiliates (Affiliate Company Distributions), if such actions would do any one of the following:

(a) Cause PCC to fail to maintain at all times the greater of the following:

(1) 150% of the minimum tangible net equity (which annualized amount shall be calculated by multiplying the applicable current quarter revenues and expenditures by four) currently required by section 1374.64(b)(1) of the Act (as of September 30, 2005, 150% of PCC's minimum tangible net equity under section 1374.64(b)(1) was $132.7 million); or

(2) 100% of minimum tangible net equity as may be required following any future amendment to section 1374.64 of the Act or Rule 1300.76, or any successor statute or regulation; or

(b) Result in insufficient working capital or insufficient cash flow necessary to provide for the retirement of existing or proposed indebtedness of PCC, as required by Rule 1300.75.1(a); or

(c) Adversely affect the ability of PCC to provide or arrange health care services in accordance with the requirements of the Act or Rules; or

(d) Cause PCC to fail to maintain 300% of the Authorized Control Level RBC[1], calculated for the most recently completed quarter. Authorized Control Level RBC calculated as of the most recent fiscal year end will be used for purposes of this analysis, as Authorized Control Level RBC is calculated only at the end of each year (for example, Authorized Control Level RBC at December 31, 2004, would be the denominator for the calculations at each of March 31, 2005, June 30, 2005, and September 30, 2005), except that Authorized Control Level RBC will be recalculated upon the occurrence of a material event, such as a change of ownership, that materially changes PCC's Authorized Control Level RBC. PCC undertakes to convert the RBC data to TNE data when reporting to the Department.

Additionally, with respect to Affiliate Company Distributions made in calendar years 2005, 2006, 2007, and 2008, PCC will not make any Affiliate Company Distributions in any such calendar year if the distributions in that calendar year exceed 79% of PCC's net income for the year prior to the calendar year of the Affiliate Company Distribution (the Limiting Percentage).

The Limiting Percentage is the average of the annual percentage that PCC dividends actually paid in each year from 2002 through 2004 bears to PCC's net income for the years prior to the years in which the dividends were paid (2001 to 2003), but not more than 79%, calculated as follows:

(a) In 2001 PCC reported $41 million in net income and in 2002 paid $67 million in dividends representing 163% of prior year net income (deemed 100%);

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[1] "Authorized Control Level RBC" means the number determined under the risk-based capital formula in accordance with the RBC Instructions. See, Cal. Ins. Code §739(j)(3).

"NAIC" means the National Association of Insurance Commissioners. See, Cal. Ins. Code §739(f).

"RBC Instructions" means the RBC Report, including risk-based capital instructions adopted by the NAIC, and as the RBC Instructions may be amended by the NAIC from time to time in accordance with the procedures adopted by the NAIC. See, Cal. Ins. Code §739(i).

(b) In 2002 PCC reported $87 million in net income and in 2003 paid $40 million in dividends, representing 46% of prior year net income;

(c) In 2003 PCC reported $196 million in net income, and in 2004, paid $195 million in dividends, representing 99% of prior year net income.

For purposes of Undertakings 2 and 3, "Affiliate Company Distributions" shall not be deemed to refer to payments made under the terms of any administrative services agreement or tax sharing agreement that has been filed with and approved by the Department.

PCC shall provide written notice to the Department five business days prior to making any Affiliate Company Distributions.

**Undertaking 3.** PCC will not make any Affiliate Company Distributions if such actions would result in PCC failing to maintain Liquid Assets (as defined below) in an amount that equals or exceeds 150% of PCC's average monthly Total Expenses (as defined below) for the last two consecutive quarters for which financial statements have been filed with the Department immediately prior to the date on which PCC makes the Affiliate Company Distribution.

For purposes of this Undertaking 3, the following definitions apply:

(a) "Liquid Assets" shall equal the total of cash and cash equivalents (as reported on line 1 of Report #1 – Part A: Assets, as set forth in the Quarterly Financial Report filed with the Department by PCC), short-term investments (as reported on line 2 of Report # 1), restricted assets (as reported on line 12 of Report #1), and long-term investments (as reported on line 13 of Report # 1), to the extent that such long-term investments are classified as "available for sale" and convertible to cash within five (5) days under Generally Accepted Accounting Principles (as distinguished in a footnote explanation from long-term investments not "available for sale" and excluding any long-term investments in UnitedHealth subsidiaries); and

(b) "Total Expenses" shall be equal to the amounts reported on line 33 of Report # 2: Revenue, Expenses, and Net Worth, as set forth in the Quarterly Financial Report filed with the Department by PCC. (For example, 150% of PCC's average monthly Total Expenses [as defined], based on the two most recent Quarterly Financial Reports filed by PCC with the Department [for the quarter ended June 30, 2005, and for the quarter ended September 30, 2005] was $528.2 million.)

In each Quarterly Financial Report filed with the Department, PCC shall include a calculation showing the total Liquid Assets on hand at the end of the calendar quarter covered by such Quarterly Financial Report, and 150% of the average monthly Total

Expenses incurred during the calendar quarter covered by such Quarterly Financial Report and the immediately preceding calendar quarter.

**Undertaking 4.** PCC will not take any of the following actions without the Department's prior written approval:

(a) Co-sign or guarantee any portion of any current or future loans and/or credit facilities entered into by UnitedHealth or any of UnitedHealth's affiliates;

(b) Permit any portion of loans obtained by UnitedHealth or any of its affiliates to be assumed by PCC; or,

(c) Allow a pledge or hypothecation of PCC's assets or capital stock in any way in connection with any current or future loans of UnitedHealth or any of its affiliates.

(d) Borrow any funds or otherwise incur any indebtedness for the purpose of making any Affiliate Company Distribution, except (i) any Affiliate Company Distribution that is made in compliance with Undertaking 2 above, or (ii) a payment made pursuant to any written administrative services agreement or tax sharing agreement between or among PCC or its affiliates.

**Undertaking 5.** In connection with each Quarterly Financial Report filed with the Department by PCC during the three-year period following the close of the Merger, PCC shall file with the Department, on a confidential basis, a schedule that reports the estimated range of claims payable, reported or unreported medical liability at the end of each such quarter, and the amount of the claims payable reported on lines 3 through 6 of Report #1 – Part B: Liabilities and Net Worth, of the Quarterly Financial Report filed with the Department by PCC for such calendar quarter.

The estimated range of unreported medical liability (incurred-but-not-reported claim liability) at the end of each such quarter shall be prepared by PCC and certified by PCC's or UnitedHealth's chief actuary, chief financial officer, or other appropriate financial officer. With respect to PCC's year-end financial statements, such range shall be reviewed by PCC's independent public accounting firm as part of such firm's audit of PCC's year-end financial statements.

In the event that PCC's independent public accounting firm does not agree to provide the Department with such review with respect to PCC's year-end financial statements, then PCC shall obtain, provide, and include as part of its required financial filings, an estimated range reviewed by an independent actuarial or accounting firm reasonably acceptable to the Department.

The Department will grant confidential treatment, to the extent permitted by law, to the information filed pursuant to this Undertaking 5 and will provide PCC with appropriate prior notice of any judicial or other effort to compel the Department to disclose this confidential information in accordance with California Code of Regulations, title 28, section 1007.

**Undertaking 6.** PCC and UnitedHealth represent and warrant that premiums payable by PCC enrollees (including copayments and deductibles) will not increase as a result of costs incurred in financing, analyzing, and/or consummating the Merger (Merger Costs); such costs include but are not limited to, attorneys' and investment bankers' fees, travel expenses, the CIC Benefit, due diligence expenses, and expenses related to concurrent or future mergers or acquisitions by UnitedHealth affiliates, other than PCC. PCC, PHS, UnitedHealth, and Acquisition LLC further represent and warrant that:

(a) PCC's practices and methodologies for determining premium rates in the California health benefit plan market after the Merger will not vary from PCC's pre-Merger practices and methodologies;

(b) PCC's practices and methodologies for determining products and benefit designs in the California health plan market after the Merger will not vary from PCC's pre-Merger practices and methodologies;

(c) No debt rating factor relating to the indebtedness that UnitedHealth has incurred to finance the Merger will be included in PCC's premium practices and methodologies post-Merger;

(d) PCC's administrative expense ratio shall not exceed pre-Merger levels without reporting to the Department as provided in Undertaking 11 below;

(e) In the event that there are reductions in the level of reimbursement of PCC's health care providers, as defined in Health and Safety Code section 1345(i), such reductions shall not be attributable to the Merger Costs; and

(f) In the event that there are reductions in the benefits in PCC's products sold in California markets, the reductions shall be documented to accurately reflect the value of those benefit reductions.

To appropriately measure the Merger's effect on premium rates and product offerings, the Department must evaluate certain confidential and proprietary business information, including pre- and post-merger target profit levels, and lists of retention items with respect to individual and small-group offerings by PCC. The Department will grant confidential treatment, to the extent permitted by law, to the confidential and proprietary information submitted pursuant to this Undertaking 6 and will provide PCC with appropriate prior notice of any judicial or other effort to compel the Department to disclose this confidential information, in accordance with California Code of Regulations, title 28, section 1007.

PCC shall provide the following information to the Department for the purposes of determining compliance with this Undertaking 6:

(1) A list of the target profit levels for each line of business as of July 1, 2005;

(2) An annual update of the list of the target profit levels for each line of business after July 1, 2005;

(3) A list of all retention items for each line of business as of July 1, 2005; and

(4) An annual update of the retention items for each line of business after July 1, 2005.

PCC will file (1) and (3) as a separate confidential document, concurrent with the execution and filing of these undertakings. PCC will file (2) and (4) as a confidential attachment to PCC's actuarial memorandum described below, for the duration of the undertakings set forth in Undertaking 24(d).

In addition, PCC will file with the Department each year, within 60 days following the end of the year, an actuarial memorandum, signed by PCC's or UnitedHealth's chief actuary, CFO or similar officer, that certifies that no portion of the cost components of any premium rate charged for any individual or small group product offered in California by PCC includes a charge related to the Merger Costs. PCC shall also certify annually to the Department, within 60 days following the end of the year, that no portion of the cost components of any rate or fee charged for any large group product offered in California by PCC includes a charge related to the Merger Costs. In addition, PCC shall provide the Department with at least thirty (30) days' prior written notice of any premium adjustments for its individual and small group products.

PCC shall also file with the Department within thirty (30) days following the close of the Merger an actuarial memorandum that certifies that no portion of the cost components of the premium rate increases for small group products effective February 1, 2006, that have been previously filed by PCC with the Department includes a charge related to the Merger Costs. PCC represents that the average rate increase for PCC small group products coming into effect on February 1, 2006, will be 10.14%. PCC further represents that for the small group market, there are a number of factors that could result in premium increases significantly above these averages. For the small group market, actual experience can result in significant premium rate fluctuations.

For PCC individual products, PCC has made adjustments to its premium rates prior to the effective date of closing of the Merger which are already in effect. Any future rate increases that are made after the closing of the Merger will be subject to these undertakings. In addition, age bands, geographic location, and benefits selection can result in individual premium increases in excess of PCC's average rate increases. While the Department does not have the authority to set premium rates generally, these undertakings prohibit PCC from increasing premium rates based upon Merger Costs.

The Department may, in addition to the activities described in Undertaking 13 below, audit or examine PCC and its books and records with respect to the foregoing certifications, to the extent deemed necessary or desirable at the discretion of the Director. In the event that the Department uses a third party auditor(s), the Department's auditor(s) will agree to sign confidentiality agreements in order to ensure the confidential treatment of confidential and proprietary information reviewed as part of any audit, consistent with the confidentiality protections provided for in these undertakings and in Rule 1007.

**Undertaking 7.** After the Merger, PCC will maintain its organizational and administrative capacity, and unless the Department otherwise grants prior approval in writing, PCC will maintain the following functions in California, including, but not limited to:

(a) Clinical decision-making and California medical policy development, including a Medical Director and other persons responsible for, and having discretion with respect to, health plan medical matters under the Act; and the clinical personnel responsible for California medical decision-making and California medical policy, including determination of PCC's formularies;

(b) PCC's prior authorization and referral system;

(c) PCC's enrollee grievance system (including any appeal system);

(d) PCC's Independent Medical Review process (including the review process for experimental treatment);

(e) PCC's underwriting functions;

(f) PCC's Provider Dispute Resolution Mechanism process; and,

(g) PCC's accounting and finance personnel, and activities performed by such personnel.

These aforementioned functions shall be conducted in conformity with California standards, including timeframes, as required by the Act. PCC confirms to the Department that it intends to maintain its current office in Cypress, California, which will continue to serve as PCC's headquarters for PCC health plan operations (recognizing that those operations are also performed at other California locations).

**Undertaking 8.** PCC agrees that it shall not remove, or require, permit, or cause the removal of PCC's books and records, as defined in the Act, from California before filing a Notice of Material Modification and receiving the written approval from the

Department, in accordance with the Act. Further, notwithstanding any failure or omission on PCC's part, or that of an affiliate, to maintain PCC's records in California, PCC agrees that it shall return to California, as may be required by the Department, within the timeframe specified by the Department, any such PCC books and records that have been removed from California without the Department's express, written permission. This Undertaking 8 shall not restrict PCC from maintaining books and records in an electronic format, as long as electronic books and records are contemporaneously available in California.

**Undertaking 9.** In the event of any Change(s), as defined below, to an administrative services agreement to which PCC is a party with any PCC affiliate, or through which PCC receives any of the services substantively related to the functions specifically listed in Undertaking 7 (ASA), PCC will file notice of the Change(s) with the Department in a Notice of Material Modification in accordance with the requirements of the Act, and not implement such Change(s) until after the Department has issued an Order of Approval for such Change(s).

"Change" is defined for purposes of this Undertaking 9 to be an amendment, modification, termination, or replacement of an ASA, which involves any of the following:

(a) The addition of new services, or a change in the scope of services;

(b) Change to reimbursement terms or method for reimbursement for services performed on behalf of PCC;

(c) Change to the location of books and records documenting performance of the services performed on behalf of PCC pursuant to an ASA, resulting in removal of the ASA provider's books and records outside of California;

(d) Change to the location of performance of any of the functions specifically listed in Undertaking 7 from California to another state or country, or from a state other than California to another state or country; or

(e) Change to the legal identity of the entity performing PCC functions on behalf of PCC pursuant to an ASA, unless the entity is a PCC affiliate. If the legal identity change is of a PCC affiliate and also involves any change described in items (a) through (d) above, PCC is required to file a Notice of Material Modification, and await issuance of an Order of Approval prior to implementing such changes on behalf of PCC.

Notwithstanding the above, this Undertaking 9 does not supersede PCC's requirement to file a Notice of Material Modification when required by section 1352(b) of the Act, Rule 1300.52.4(d), or as otherwise required by the Act.

**Undertaking 10.** After the effective date of the close of the Merger, and provided the Merger is consummated, if PCC desires to amend, change, terminate or replace its tax sharing agreements, as previously filed with, and approved by, the Department, PCC will file any changes to those tax sharing agreements with the Department in a Notice of Material Modification in accordance with the requirements of the Act, and will not implement such changes until the Department has issued an Order of Approval for such changes.

**Undertaking 11.** PCC represents that it anticipates that, for the duration of these undertakings, as defined in Undertaking 24(d), its ratio of administrative costs to premium revenues, as reported in Report #2, lines 1, 2, 3, 4, 5, 6, 7 and 32, respectively, of the Quarterly Financial Report filed with the Department by PCC (Administrative Cost Ratio) will not exceed 10%, measured on an annual basis, which reflects the average of the annual percentage that PCC's administrative costs bear to its premium revenues reported for the years 2002-2004.

In the event that PCC's Administrative Cost Ratio exceeds 10% in any quarter, then PCC shall, within 45 days of the end of the applicable calendar quarter, report in writing to the Department the following:

(a) The amount of the excess;

(b) The reasons for the increase in the Administrative Cost Ratio (for example, changes in law, taxes, commission structure, or the overall mix of PCC's business);

(c) Whether the increase is in any way, directly or indirectly, related to the implementation of the Merger;

(d) Demonstrate to the Department's reasonable satisfaction that PCC's administrative costs are not excessive within the meaning of section 1378 of the Act and Rule 1300.78; and

(e) Whether the increase was caused by a one-time event, and whether PCC's annual Administrative Cost Ratio is expected to remain at or below 10% despite this event, or whether the increase is expected to impact future quarters such that the annual Administrative Cost Ratio calculation is expected to exceed 10%, in which case PCC shall provide notice of the expected impact on the annual calculation.

For purposes of calculating PCC's Administrative Cost Ratio pursuant to this Undertaking 11, administrative costs and premium revenues related to new commercial plan products implemented after the closing of the Merger shall be excluded.

**Undertaking 12.** For the four-year duration of these undertakings, PCC shall file a report annually with the Department, within 60 calendar days following the end of the 2006, 2007, 2008, and 2009 calendar years, demonstrating compliance with each of the undertakings set forth herein, and describing what it believes to be the benefits to Californians that have ensued from the Merger. Such reports are in addition to, and do not supersede, any other reports the Director may require pursuant to the Act, including reports related to a financial examination or a medical survey conducted pursuant to sections 1382 and 1384 of the Act. The termination of these undertakings pursuant to Undertaking 24(d) does not eliminate PCC's obligation to file a compliance report within 60 days of the end of 2009.

**Undertaking 13.** PCC shall promptly pay for the costs arising from activities of the Department, including any necessary out-of-state travel, incurred in the course of verifying and auditing compliance by PCC with each of the undertakings set forth herein. Such activity will be conducted, at the Department's discretion, in addition to any of the surveys, audits, examinations, or inquiries required or permissible under the Act.

**Undertaking 14.** PHS, Acquisition LLC, and UnitedHealth shall not use any form of push-down accounting methods that result in the transfer or allocation of any of PHS', UnitedHealth's, or Acquisition LLC's goodwill, including goodwill related to this Merger, to PCC.

**Undertaking 15.** PCC will renew and not terminate any group or individual commercial health care benefit plan contract (Commercial Benefit Plan) prior to expiration of its term, except as otherwise permitted under the Act or Rules.

(a) If PCC withdraws a Commercial Benefit Plan from the market, and an enrollee then enrolled in an affected plan has a pre-existing condition and still has remaining time requirements for satisfying the pre-existing condition, PCC will waive the remaining time requirements for the pre-existing condition exclusion if the enrollee enrolls in another PCC Commercial Benefit Plan or in a Commercial Benefit Plan of a PCC affiliate regulated by the California Department of Insurance (CDI) within the time requirements for eligibility for the replacement Commercial Benefit Plan.

(b) If PCC ceases to provide or arrange for the provision of health care services for individual, small group, or large group Commercial Benefit Plans in California, any Commercial Benefit Plan affected will remain in effect until the first renewal date that occurs on or after the expiration of the longer of (1) the 180 days notice requirement under the Act or (2) notice requirements of the applicable subscriber agreements.

(c) If PCC ceases to write, issue, or administer new group or individual Commercial Benefit Plans in California, affected subscribers/enrollees of PCC will be provided the opportunity to elect continued coverage under the most nearly compatible Commercial Benefit Plan from PCC's or UnitedHealth's affiliated entities regulated by the CDI.

**Undertaking 16.** An important premise of the approval of the Material Modification is that after the effective date of the Order of Approval, PCC will continue its historic role in serving the California marketplace, and will continue its same marketplace approach.

Accordingly, after the effective date of the Order of Approval, and provided that the Merger is consummated, PCC will maintain its efforts in offering and renewing individual and small group products on the same basis as prior to the effective date of the Order of Approval, assuming the same market, economic, and other conditions that currently exist.

PCC advises the Department that the conditions it considers relevant under this Undertaking 16 include, but are not limited to: the reimbursement and compensation PCC receives; the scope and nature of services it must provide; the nature and adequacy of its provider network in any relevant service area; the structure, composition, and reimbursement payable to the health care providers supporting PCC's provision of products; and the substantive impact to the competitive environment resulting from changes to the legislative and regulatory framework applicable to its operations, or to individual or small group products.

**Undertaking 17.** PCC will develop corrective action plans for all survey deficiencies defined in the following surveys: Mental Health Parity Focused Survey, conducted March 7 through March 10, 2005; Routine Medical Survey, conducted April 11 through April 14, 2005; and Provider Dispute Resolution Focused Survey, conducted June 20, 2005, through July 27, 2005. No corrective action plan shall be required for any such deficiency which the Department has deemed to be corrected as of the closing date of the Merger.

**Undertaking 18.** An important premise of the approval of the Merger is that after the effective date of the Order of Approval for the change in control of PCC arising from the Merger, PCC will continue its historic role in serving the California market place, and will continue its same market place approach, as more fully set forth in Undertaking 16. Following the close of the Merger, PCC will continue its support of the coordinated care network in California, consistent with its actions prior to the Merger, and assuming the same market, economic and competitive factors that exist as of the close of the Merger.

(a) PCC acknowledges that the coordinated care delivery system seeks to provide positive health benefits in both quality and cost for health care consumers. PCC seeks to further strengthen the coordinated care model in this State. To demonstrate its commitment to the coordinated care delivery model, PCC will, at a minimum, continue:

(1) To contract with California's organized physician groups, subject to mutually-acceptable contract terms, and will continue to delegate to such physician groups appropriate functions, such as medical management, claims payment, and credentialing, in

accordance with PCC's requirements for such delegation, provided, however, that PCC shall not be restricted from revoking delegation for any such physician group that fails to meet PCC's criteria for delegation set forth in PCC's policy manuals and contracts with such groups; and

(2) To maintain currently capitated PCC contracts with willing and capable physician groups, subject to mutual agreement on contract terms, including upon renewal.

(b) UnitedHealth and PCC further acknowledge that PCC's participation in California's pay-for-performance programs provides appropriate incentives for capitated medical groups to actively engage in quality care management programs that improve the quality of health care for Californians. Recognizing that the Integrated Healthcare Association (IHA) pay-for-performance program has been widely accepted by California health plans and provider groups, PCC will adopt the current IHA Pay for Performance methodology, including acceptance of audited self-reported data from medical groups, for all years beginning with 2006. Using PCC payments made in 2005 for all its pay-for-performance programs (based upon 2004 program results) as a benchmark, UnitedHealth and PCC commit to structuring PCC's pay-for-performance programs such that eligible medical groups will receive an additional $13.76 million over four years (i.e., $3.2 million for payouts made in 2006 [based upon 2005 program results]; $3.52 million for payouts made in 2007 [based upon 2006 program results]; $3.52 million for 2008 [based upon 2007 program results]; and $3.52 million for payouts made in 2009 [based upon 2008 program results]) for IHA-specific measures, based upon continued improvement in medical group performance. PCC's 2006 additional payouts (based upon 2005 program results) will result in PCC's 2006 pay-for-performance payments being equal to or greater than the average 2004 per-member per-month payment made by the other health plan participants, based on the most-recent data available, including data as reported in the October, 2005, Transparency Report for the IHA program.

(c) UnitedHealth, PCC, or their affiliates will provide financial support for at least six symposia or other research or informational initiatives designed to improve and promote understanding of issues related to health care delivery within the coordinated care model (the Coordinated Care Initiatives). UnitedHealth, PCC, or their affiliates will schedule the first meeting within six (6) months of the closing of the Merger and the remaining five (5) symposia prior to the end of the 2009 calendar year. UnitedHealth, PCC, or their affiliate will provide no less than $1.5 million in direct support for the Coordinated Care Initiatives. UnitedHealth may solicit additional appropriate sponsorship for the Coordinated Care

Initiatives. Examples of activities that may fall within the scope of the Coordinated Care Initiatives include sponsorship of industry and public meetings designed to explore policy or performance issues with regard to the delegated model, including: (i) information technology infrastructure adoption among small and mid-sized medical groups; (ii) cost effectiveness and relation to quality within the coordinated care model; and (iii) public acceptance and understanding of coordinated care techniques. The overall goal of the Coordinated Care Initiatives is to create improved understanding and information about the coordinated care model for purposes of public policy and care delivery. Appropriate topics for studies and/or education will be determined by PCC and UnitedHealth, in consultation with the Department and other coordinated care industry leaders.

(d) UnitedHealth and PCC will begin to launch in 2006 electronic swipe card technology, personal health records and simplified monthly financial statements in California. Within six (6) months following the closing date of the Merger, UnitedHealth and PCC shall file with the Department a detailed description of their plan to operationalize the use of electronic swipe cards in California (IT Implementation Report). The IT Implementation Report shall include the timetable for distribution of these electronic swipe cards to enrollees, and shall include an explanation of the feasibility of using the swipe card technology by contracted providers. The IT Implementation Report, while taking into consideration operational and integration developments, shall describe the anticipated timetable for phasing in the swipe card's ability to confirm eligibility and access the enrollee's personal health records (including claim, prescription and laboratory service information), and such other matters as UnitedHealth intends to develop, including deductible tracking and health and wellness tools. The IT Implementation Report shall also describe the anticipated outreach, educational, training, and technical support necessary to ensure that patients and providers understand how to utilize the technology. The IT Implementation Report shall further identify the benchmarks through which UnitedHealth and PCC will measure the efficiencies resulting from the implementation of swipe card technology in California.

Following the initial filing of the IT Implementation Report, PCC and UnitedHealth will file updated quarterly reports setting forth the status and results of the implementation efforts. The Department will grant confidential treatment, to the extent permitted by law, to the confidential and/or proprietary information included in the IT Implementation Report and will provide PCC with appropriate prior notice of any judicial or other effort to compel the Department to disclose this confidential and/or proprietary information in accordance with California Code of Regulations, title 28, section 1007. PCC shall file a request for confidential treatment, following the procedures set forth in California

Code of Regulations, title 28, section 1007, for the confidential and/or proprietary information included in the IT Implementation Report.

In operationalizing personal health records for California enrollees, PCC and UnitedHealth shall use best efforts to conform to generally accepted industry standards for the exchange of health care information.

The Investment Commitment set forth in Undertaking 20(a) will be reduced dollar-for-dollar in an amount not to exceed $5 million with respect to amounts appropriately allocable to implementing electronic swipe card technology in California. Such amounts may include, but are not limited to, costs related to producing and distributing electronic swipe cards; development costs; implementation costs (such as education, training, and communication); and ongoing maintenance support costs (such as hosting licensing and data feeds).

**Undertaking 19.** PCC will maintain support for commercial HMO product development, with emphasis on products appealing to small groups and individuals, in the following ways:

(a) PCC or its affiliates will increase the development and marketing budget for small group and individual HMO products by at least $1 million over the 36-month period commencing with the close of the Merger. PCC will submit to the Department a marketing and distribution plan within six months of the Merger closing date. PCC commits that the products resulting from these efforts will be specifically designed to compete with PCC's small group and individual PPO products.

(b) PCC agrees that it will launch at least three deductible HMO products in the individual and small group markets by July 1, 2007. The first of these products will be launched no later than April 1, 2006. "Launch" shall mean fairly and affirmatively market and sell in accordance with section 1357.03 of the Act.

**Undertaking 20.** To demonstrate the commitment of UnitedHealth and PCC to the California community, UnitedHealth and PCC undertake the following (for purposes of clarification, the commitments set forth in this Undertaking 20 are the same as the commitments set forth in Undertaking 15 of the undertakings executed by CDI, PacifiCare Life and Health Insurance Company and UnitedHealth, on December 19, 2005 [the CDI Undertakings], and not in addition thereto):

(a) UnitedHealth, PCC, and their affiliates, PacifiCare Behavioral Health of California, Inc. (PBH) and PacifiCare Dental (PCD), as well as their CDI-regulated affiliate, PacifiCare Life and Health Insurance Company (PLHIC) (collectively, PCC, PBH, PCD and PLHIC are referred to as the PacifiCare Regulated Entities) agree to invest $200 million in California's health care infrastructure (the Investment Commitment). The purpose of the Investment Commitment is to provide capital to entities that provide health services to currently underserved communities or populations throughout California in need of such capital, and find access to such capital challenging for various reasons. Such investments could include investments that (i) expand and upgrade physical and technological infrastructure for safety net and low income providers throughout the State of California; (ii) strengthen access to health care resources for, and improve the health status of, low-income urban and rural underserved Californians; (iii) improve electronic health care technology; (iv) facilitate the use, application, and exchange of electronic health records; (v) support the coordinated care model; or (vi) leverage investment opportunities. The Investment Commitment may include marketable securities, provided that they support California's health care infrastructure, and are in compliance with the PacifiCare Regulated Entities' and UnitedHealth's investment policies and guidelines.

(1) Investments made pursuant to this Undertaking 20(a) will be consistent with financial standards required by CDI, the Department, and the NAIC, and subject to the sound and prudent investment management policies of the PacifiCare Regulated Entities and UnitedHealth. The determinations with respect to each investment will be made considering the risk profile and rate of return of such investment, and the overall strength and investment quality of the entire investment portfolio, and will not be unduly restrictive with regard to each individual investment commitment. In addition, the collective impact of the investments made pursuant to this Undertaking 20(a) must be of sufficient creditworthiness and quality so as to not result in the placing of additional capital requirements on the PacifiCare Regulated Entities or UnitedHealth by various credit rating agencies (such as Moody's and Standard & Poor's).

(2) In making the Investment Commitment, the PacifiCare Regulated Entities and UnitedHealth recognize that flexibility and creativity will be necessary to achieve the dual goals of prudent investment and increasing access to underserved communities, and they undertake to work closely with an advisory committee (the Advisory Committee) consisting of individuals with experience in community reinvestment and health care delivery for underserved communities, which committee may include representatives or designees of: (i) clinics and other health care providers that serve low income or uninsured urban and rural Californians; (ii) charitable entities that support such clinics and other providers; and (iii) health information technology experts, including persons with expertise in the exchange of health information. In addition,

representatives of CDI, the Department, UnitedHealth and/or the PacifiCare Regulated Entities will participate in Advisory Committee meetings and activities. The members of the Advisory Committee shall be designated from time to time by the PacifiCare Regulated Entities and UnitedHealth in consultation with the Department and CDI.

(3) Within 30 days following the closing of the Merger, the PacifiCare Regulated Entities and UnitedHealth will meet and consult with the California Business, Transportation, and Housing Agency, the Department, and the CDI to (i) discuss the appropriate type, scope, and range of investments to be made in accordance with this Undertaking 20(a), including community health care services, health care infrastructure, and health information technology investments; (ii) secure advice and feedback regarding the selection of independent investment advisors to the Advisory Committee that are acceptable to the Department and CDI; (iii) discuss the composition the Advisory Committee; (iv) discuss the development of an exemption process, if sufficient qualifying assets cannot be identified by the end of calendar year 2010; and (v) otherwise take actions and adopt policies, procedures, and guidelines to implement the Investment Commitment.

(4) Within six months after the closing of the Merger, the Advisory Committee will be established and, promptly thereafter, the Advisory Committee, UnitedHealth, and the PacifiCare Regulated Entities shall, in consultation with the investment advisors, begin formulating a plan for carrying out the Advisory Committee's responsibilities and developing appropriate guidelines, policies, and procedures, subject to approval by CDI and the Department.

(5) Expenses incurred in administering the Investment Commitment, including expenses of outside investment advisors, will be separate from the aggregate Investment Commitment amount.

(6) In further recognition of the challenges inherent in developing sufficient qualifying investments for the entire Investment Commitment, CDI and the Department agree to consider future charitable initiatives proffered by UnitedHealth or its affiliates (in addition to the Charitable Contributions described in Undertaking 20(b)) as an offset or substitute for a portion of the Investment Commitment, upon a showing that such initiatives are new commitments that would not otherwise have been agreed to by UnitedHealth or its affiliates in the regular course of operations. Such initiatives might include, but are not limited to in-kind services provided in the technology area, contributions that

leverage investment opportunities, or other contributions to benefit the health care safety net or to improve health care access to underserved populations. The amount of credit toward the Investment Commitment for in-kind contributions in the technology area shall not exceed five percent of the Investment Commitment, unless a greater amount is approved by CDI and the Department. In addition, UnitedHealth and the PacifiCare Regulated Entities shall receive credit toward the Investment Commitment described in this Undertaking 20(a) for the full amounts committed by UnitedHealth and PCC pursuant to Undertakings 18(b), 18(d) and 19 of these undertakings.

(7) UnitedHealth and the PacifiCare Regulated Entities anticipate considering specific investments beginning by the fourth quarter of 2006, with the goal of having the Investment Commitment fully funded by the fifth anniversary of the closing of the Merger. The Investment Commitment shall expire 20 years after the date of full investment of the Investment Commitment.

(8) UnitedHealth and the PacifiCare Regulated Entities will provide regular reports to the Advisory Committee and, in connection with each annual statement filed with the CDI and the Department, will provide the Department and CDI with reports on progress made toward the Investment Commitment.

(b) In addition to the Investment Commitment, UnitedHealth will contribute $50 million to benefit California health care consumers (the Charitable Commitment). UnitedHealth agrees that the Charitable Commitment may be used for, among other things: (i) subsidies and outreach for individuals who are eligible for both Medicare and Medi-Cal (Dual Eligibles) who are unable to pay premiums for Medicare managed care products after the start up of Medicare Part D, and other subsidies and outreach to support other programs that serve low-income populations; (ii) technology improvements for safety net providers; (iii) medical education programs in underserved areas that will provide expanded access and service to traditionally underserved communities in California; (iv) population-based preventive health strategies; (v) further support for Coordinated Care Initiatives, as described in Undertaking 18(c), and (vi) cash or in-kind contributions to help establish and support health care information technology initiatives designed to improve health care delivery. The amount of credit toward the Charitable Commitment for in-kind contributions in the technology area shall not exceed five percent of the Charitable Commitment, unless a greater amount of credit is approved by CDI and the Department. The Charitable Commitment is subject to the following:

(1) UnitedHealth will receive credit toward the Charitable Commitment for the $1.5 million in commitments contained in Undertaking 18(c).

(2) UnitedHealth further agrees to join as a participant and funder in the California Funders Strategy Project, the goal of which is to effectively coordinate funding strategies among public and private funders to best support quality improvement technology investments in California. Any funding provided by UnitedHealth to the California Funders Strategy Project shall be determined in accordance with this Undertaking 20(b) and shall count toward the Charitable Commitment.

(3) As a further credit toward the Charitable Commitment, UnitedHealth or an affiliate shall commit amounts to be agreed upon by the Department, CDI and UnitedHealth for the first six months of 2006 for the purpose of providing Medicare Advantage premium subsidization for Dual Eligibles who are eligible for Medicare Advantage premium assistance through the State of California prior to January 1, 2006. The specifics of this amount shall be provided to the CDI and the Department within seven days of the close of the Merger. This commitment will be fulfilled in full cooperation with the California Department of Health Services and Centers for Medicare and Medicaid Services (CMS) requirements.

(4) Within 90 days following the closing of the Merger, representatives from the Department, CDI, and UnitedHealth will make good-faith efforts to sign a Memorandum of Understanding (MOU), specifying in detail the additional uses to be made of the Charitable Commitment, the amount and the timing of the expenditures for such purposes, and the provisions for oversight, auditing, and reporting that will be necessary to effectuate the intent of Undertaking 20(b). None of the costs, if any, of such oversight will be paid for from the principal or interest of the Charitable Commitment.

(5) UnitedHealth further agrees that interest earned on unexpended portions of the contribution will accrue to the benefit of projects specified by the MOU. Interest will accrue at the rate of 4.25% per annum, beginning at the closing of the Merger.

(6) The Department and CDI acknowledge and agree that commitments made by non-profit foundations associated with either UnitedHealth or its affiliates shall count toward the Charitable Commitment; provided, that such commitments are

made from contributions (i) to such foundations by UnitedHealth or its affiliates after the date hereof, and (ii ) are directed by UnitedHealth or its affiliates to be used for commitments meeting the requirements set forth in this Undertaking 20(b), and that such commitments would not otherwise have been agreed to in the ordinary course of such foundations' operations.

**Undertaking 21.** For the duration of these Undertakings, as set forth in Undertaking 24(d), UnitedHealth and PCC undertake to make good faith efforts to maintain, accomplish, or achieve, as the case may be, the matters set forth in this Undertaking 21, subject to (i) substantially the same market, economic, and competitive conditions that currently exist, and (ii) for items dependent upon third party standards or methodologies (such as Part A.(3), (4), (5) and Part B), such standards or methodologies being maintained in the same, or substantially the same, form, state, or manner as they currently exist, or, in a reasonably improved form, state, or manner. References to "current" standards below refer to standards, trends, methodologies, or practices current as of the execution date of these undertakings.

(a) Reporting

(1) UnitedHealth shall maintain current PCC National Committee for Quality Assurance (NCQA) accreditation in California and shall make good faith efforts to maintain PCC's Health Plan Employer Data and Information Set (HEDIS) and Consumer Assessment of Healthcare Providers and Systems (CAHPS) scores at the levels achieved in the most-recent reports prior to the Merger. PCC shall report the results of NCQA accreditation, HEDIS, and CAHPS scores on an annual basis to the Department.

(2) UnitedHealth further shall make good-faith efforts to maintain the current trend of continual improvement in PCC's annual HEDIS, and CAHPS scores, based upon the trend established over the period 2002-2005.

(3) UnitedHealth shall commit to continue all reporting and cooperation currently provided by PCC to the Office of the Patient Advocate to publish its "Quality of Care Report Card."

(4) UnitedHealth shall commit to continue all reporting, cooperation, and material support now provided by PCC to the California Cooperative Health Reporting Initiative (CCHRI) to ensure availability of information and public reporting, and shall commit to no material decrease in reporting, cooperation, or material support, subject to Undertaking 21(i) above.

(5) UnitedHealth shall make good-faith efforts to improve PCC's performance on all CCHRI scores.

(6) UnitedHealth shall maintain and publish "Quality Index® profiles" of physician groups and hospitals contracted with PCC for the same purposes, from the same or comparable sources of data, in the same or similar format, and to the same recipients, as published currently by PCC. This undertaking shall continue for the duration of these undertakings, or until such earlier date as reporting is standardized among plans with not less than the scope of information in the current Quality Index® profiles.

(7) UnitedHealth shall collect and report quality data for its PCC products in California separately from national UnitedHealth data, and in conformance with applicable and industry-accepted California standards, provided, however, that UnitedHealth shall not be restricted from including quality data from PCC in national UnitedHealth data, so long as such data can also be reported separately.

(8) UnitedHealth shall maintain a single, statewide California-specific advisory committee structure accountable to UnitedHealth for leadership and oversight of quality of care and its improvement in California, including reduction of statewide documented variance in clinical practice unexplained by patient conditions. The membership of this committee shall be subject to review and comment by the Department. The activities of this committee shall be described in annual reports for the duration of these undertakings and submitted to the Department.

(9) UnitedHealth shall maintain continuity of care for PCC members currently managed in PCC disease management programs, subject to UnitedHealth evaluation, and reflecting UnitedHealth's national criteria for disease management programs.

(b). Incentives. UnitedHealth shall work with IHA and the Centers for Medicare and Medicaid Services to evaluate and, if appropriate, promote use of the IHA Pay for Performance program to Medicare products.

(c). Promotion of Health Information Technology Infrastructure. UnitedHealth shall make good-faith and reasonable efforts to support the development of health information technology infrastructure in California as envisioned by, and expected of, all payers under the California Regional Health Information Organization (CalRHIO), subject to the promulgation of CalRHIO standards adopted by its governing body, and general acceptance by the industry.

**Undertaking 22.** PCC, PHS, UnitedHealth, and Acquisition LLC recognize concerns expressed by members of the public in the course of the Department's consideration of the Material Modification and acknowledge the grounds for disciplinary action by the Director set forth in section 1386 of the Act, specifically sections 1386(b)(7) and (9), shall apply if PCC engages in inappropriate actions or conduct following approval of this Material Modification.

**Undertaking 23.** The undertakings set forth herein shall be enforceable to the fullest extent of the authority and power of the Director under the provisions of the Act. PCC, PHS, UnitedHealth, and Acquisition LLC acknowledge that the Act's enforcement remedies are not exclusive, and may be sought and employed in any combination deemed advisable by the Director to enforce these undertakings.

**Undertaking 24.** The undertakings set forth herein shall be subject to the following terms and conditions:

(a) **Binding Effect**. The undertakings set forth herein shall be binding on PCC, PHS, UnitedHealth, and Acquisition LLC and their respective successors and permitted assigns. If, at the closing date of the Merger, the legal identity of either PHS or Acquisition LLC dissolves and leaves no successors or assigns, the obligation of the dissolved entity to comply with these undertakings will be extinguished at the date of the entity's dissolution. If PCC, PHS, UnitedHealth, and Acquisition LLC fail to fulfill their obligations to the Department as provided under the undertakings set forth herein, PCC, PHS, UnitedHealth, and Acquisition LLC stipulate and agree that the Department shall have the authority to enforce the provisions of these undertakings in a California court of competent jurisdiction.

(b) **Governing Law**. The undertakings set forth herein and their validity, enforcement, and interpretation, shall for all purposes be governed by, and construed in accordance with, the laws of the State of California.

(c) **Invalidity**. In the event that any undertakings, or any portion of any undertaking, set forth herein shall be declared invalid or unenforceable for any reason by a court of competent jurisdiction, such undertaking, or any portion of any undertaking, to the extent declared invalid or unenforceable, shall not affect the validity or enforceability of any other undertakings, and such other undertakings shall remain in full force and effect, and shall be enforceable to the maximum extent permitted by applicable law.

(d) **Duration**. The undertakings set forth herein shall become effective upon the closing date of the Merger, and, except as to those provisions of the undertakings that contain separate termination provisions, shall remain in full force and effect for four (4) years, ending on the fourth anniversary of the closing date of the Merger, unless terminated sooner by PCC, PHS, UnitedHealth, and Acquisition LLC, with the written consent of the Department. PCC will promptly notify the Department of the closing date of the Merger. In the event that the Merger is not consummated for any reason, these undertakings shall have no force or effect.

(e) **Third Party Rights**. Nothing in the undertakings set forth herein is intended to provide any person other than PCC, PHS, UnitedHealth, Acquisition LLC, the Department, and their respective successors and permitted assigns, with any legal or equitable right or remedy with respect to any provision of any undertaking set forth herein.

(f) **Amendment**. The undertakings set forth herein may be amended only by written agreement signed by PCC, PHS, UnitedHealth and Acquisition LLC and approved or consented to in writing by the Department.

(g) **Assignment**. No undertaking set forth herein may be assigned by PCC, PHS, UnitedHealth or Acquisition LLC, in whole or in part, without the prior written consent of the Department.

(h) **Specific Performance**. In the event of any breach of these undertakings, PCC, PHS, UnitedHealth, and Acquisition LLC acknowledge that the State of California would be irreparably harmed and could not be made whole by monetary damages. It is accordingly agreed that PCC, PHS, UnitedHealth, and Acquisition LLC shall waive the defense that a remedy at law would be adequate in any action for specific performance, and the Department is entitled to seek an injunction or injunctions to prevent breaches of the provisions of these undertakings, and to seek to specifically enforce the terms and provisions stated herein. The Department's right to seek an injunction does not supersede the remedies available to the Director described in Undertaking 22.

**Undertaking 25.** In addition to the undertakings executed above, PCC reasserts and reaffirms each and every undertaking in existence prior to the execution of this document, and agrees to abide by and conform to each and every prohibition and condition, unless specifically terminated or superseded by these undertakings. The following undertakings are hereby deemed terminated:

1. Undertakings executed by PCC on June 16, 2000, in conjunction with its Notice of Material Modification filed with the Department of Corporations on February 20, 2000, concerning the proposed Secure Horizons Plus Plan.

2. Undertakings Nos. 1 through 4, and 6 through 11, executed by PCC on February 13, 1997, in conjunction with its Notice of Material Modification filed with the Department of Corporations on September 25, 1996, related to the acquisition of FHP International Corporation by PacifiCare Health Systems, Inc.

3. Undertaking executed by PCC on December 17, 1999, in connection with its Notice of Material Modification (No. 351-397-9263) filed with the Department of Corporations on September 20, 1999, regarding withdrawal of commercial product from Shasta, Tehama, Trinity, and Colusa counties.

4. Undertaking executed by PCC on December 16, 1999, in connection with its Notice of Material Modification (No. 345-397-9256) filed September 13, 1999, regarding withdrawal of commercial product from Monterey County.

5. Undertaking executed by PCC on April 24, 1997, in connection with its Notice of Material Modification filed with the Department of Corporations on April 24, 1997, to effectuate the statutory merger of FHP, Inc. into PacifiCare.

6. Undertaking executed by PCC on June 16, 1997, in connection with its Amendment filed with the Department of Corporations on June 16, 1997, related to the payment of claims for covered services for plan members residing in Sutter and Yuba Counties.

7. Undertaking executed by PCC on June 20, 1997, in connection with its Notice of Material Modification filed with the Department of Corporations on April 24, 1997, to effectuate the statutory merger of FHP, Inc. into PacifiCare.

8. Undertaking executed by N-T Holdings, Inc. and PacifiCare Health Systems, Inc. on February 13, 1997, in conjunction with the Notice of Material Modification filed with the Department of Corporations on

September 25, 1996, related to the acquisition of FHP International Corporation by PacifiCare Health Systems, Inc.

9. Undertaking executed by N-T Holdings, Inc. and PacifiCare Health Systems, Inc. on February 13, 1997, in conjunction with the Notice of Material Modification filed with the Department of Corporations on September 25, 1996, related to the acquisition of FHP International Corporation by PacifiCare Health Systems, Inc.

10. Undertakings executed by FHP, Inc. on February 13, 1997, in conjunction with its Notice of Material Modification filed with the Department of Corporations on September 25, 1996, related to the acquisition of FHP International Corporation by PacifiCare Health Systems, Inc.

11. Undertakings executed by Archstone Foundation and Joseph F. Prevratil on February 13, 1997, in conjunction with its Notice of Material Modification filed with the Department of Corporations on September 25, 1996, related to the acquisition of FHP International Corporation by PacifiCare Health Systems, Inc.

12. Undertakings Nos. 1, 2, and 4, executed by PCC on July 29, 1997, in conjunction with its Notice of Material Modification filed with the Department of Corporations on April 24, 1997, to effectuate the statutory merger of FHP, Inc. into PacifiCare.

Date: December 19, 2005

______________________________
Print Name: ____________________
Print Title: ____________________
PacifiCare of California

Date: December 19, 2005

______________________________
Print Name: ____________________
Print Title: ____________________
PacifiCare Health Systems, Inc.

Date: December 19, 2005

[signature]
Print Name: DAVID J. LUBBEN
Print Title: GENERAL COUNSEL
UnitedHealth Group Incorporated

Date: December 19, 2005

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Print Name: DAVID J. LUBBEN
Print Title: ASSISTANT SECRETARY
Point Acquisition, LLC

Date: December 19, 2005

Print Name: James Frey
Print Title: President
PacifiCare of California

Date: December 19, 2005

Print Name: Michael Jansen
Print Title: Deputy General Counsel
PacifiCare Health Systems, Inc.

Date: December 19, 2005

Print Name: ______________________
Print Title: ______________________
UnitedHealth Group Incorporated

Date: December 19, 2005

Print Name: ______________________
Print Title: ______________________
Point Acquisition, LLC